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‘OWNERSHIP IN CAPITAL’ IN MARXIAN ECONOMICS

By Kiichiro YAGI*

Abstract

In the domain of economic theory, what does it really mean to take up ‘private property’ as a question? In the economic theory of Marx’s who considered his task to ‘lay bare the economic law of motion of modern society’, what significance was to be found in the recognition of the ownership in capital? I would like to ask this question once again.

This paper, after explaining such points of interest in Section I, characterizes Marx’s way of grasping the capital, in Section II, in comparison with that of the Classical school represented by Adam Smith. Smith’s way of grasping the capital more than anything else as the stock useful in carrying out the production process, even though not denying the fact that capital is owned by private persons, essentially arrived at what may be called an ‘ownership veil’ view which asserts that the private nature of the capital does not affect economy. However, in Marx’s view of capital that focusses attention on the point that the processes of production and distribution are controlled by the circulatory movement of the money capitals which aim at profit-making, such an optimism as mentioned above cannot arise. Even when the capital is performing its functions in the production and distribution processes, the capital, if looked upon as ‘property’, is being evaluated in terms of monetary value and, actually reverts constantly to money form. Such a duality shows the channel through which the interest of capital owners gets into the capital movement.

However, the image of a ‘capitalist’ which is described in Vol. I of *The Capital* as an incarnation of accumulation is an extremely simple one and disregards the fact that the question of ‘the transformation of money into capital’ is constantly being reproduced (Section III). In order to remedy this defect, it is necessary to focus on the interest and actions of the ‘money hoarders’ and take into view the ‘financial circulation’ that develops there (Section IV). The ‘dream of the hoarders’ to make profits while maintaining their property in a safe form will be brought into reality in the process of the actual dualization of the capital that is born out of the rotation movement of the capital (separation of the capital of circulation from the money capital) and the ideal dualization of the capital ownership that goes on in parallel with the actual dualization. In order to discuss the *modus operandi* of the capitalist economy, it will be necessary to grasp the development of the ownership in capital as mentioned above. (Section V)

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I Property Matters.

The difference between Marx and other communist or socialist writers preceding to him lay in the fact that Marx took up the 'property problem' in modern society not statically as the unequal distribution between the rich and the poor but dynamically as a social relation in motion called the 'capital', or as relations of production manifested in the antagonism between capital and labor. It was, indeed, out of such interest that Marx in his younger days shifted his field of study from jura to economics, saying "the anatomy of a civil society should be sought in the economics."¹⁾

But what does it actually mean to take up 'property' theoretically in the field of economics? Ricardian Socialists and Proudhonists tried to bring into the world of economic theory such disputes as 'whether private property can be logically legitimized or not' all too directly. In a pamphlet published anonymously²⁾ Hodgskin, based on Smithian view of division of labor, asserted that, because the capital in reality is nothing but 'coexisting labor', the justice lies in returning the whole products to the working class. Also, in his *Qu'est-ce que la propriété?* Proudhon tried to prove the impossibility of the private property from the premise of the labor theory of value.

Such assertion was, indeed, significant as a criticism against the prevailing view of the private property in the capitalist society. But from the viewpoint of Marx who considered the task of economic theory "to lay bare the economic law of motion of modern society,"³⁾ it could not be regarded as a progress. What they found was only discrepancies between theoretical principles and the reality by separating the former abstractly from the whole body of economic theory. What was of primary importance to Marx was the theoretical understanding of the reality and for that reason the foremost theoretical problem for him was to find out how the 'property' should be incorporated into the theoretical system of the capitalist society as a strategic element closely related with its premises, processes and results.

The most popular way in which the 'property' or 'ownership' is dealt in economic theory is probably to treat the system of ownership as a given framework for economic activities but to neglect its influences on the economic process itself. Such treatment maybe comes from the modesty of economists who regard 'property' or 'ownership' as the subject of jurists or statesmen. But essentially it seems that this attitude is based on what may be termed an 'ownership veil' view which contends that the mode as well as the distribution of property rights have little significance seen from the result in most cases.

Of course, such a view is combined with the 'freedom of transactions' as its necessary condition. Attentions of economists are thus focused on the logic that, as long as the parties concerned are able to transact freely in order to improve their own con-

1) Karl Marx, *Zur Kritik der politischen Ökonomie*, in: *Karl Marx-Friedrich Engels Werke*, besorgt vom Institut für Marxismus-Leninismus beim Zk der SED, Bd. 13, Berlin: Dietz, 1961, S. 8.

2) Thomas Hodgskin, *Labour Defended Against the Claims of Capital*, London, 1825.

3) Karl Marx, *The Capital*, Vol. I, Moscow: Progress Publishers, p. 20.

ditions, a state that may be considered in some sense the best or the most efficient can be achieved regardless of what the starting point was like. This is a view linked with the mainstream of economics ranging from Adam Smith to the neo-classical school nowadays. As it understands 'ownership' only as the requisite for individual transactions, 'private ownership' is approved as being universal and normal. This is why Marx, at the starting point of his studies in economics, declared, "although the political economy starts from the fact of 'private property', it does not attempt at clarifying this fact."⁴⁾

As long as such 'ownership veil' view dominates, the property problem in the modern era may be considered as a problem of secondary distribution as separated from 'production'. Needless to say that Marx rejected such a separation of 'distribution' and 'production' as advocated by J.S. Mill. If what is being distributed were the means of production, the relations of distribution would directly define the relations of production and the distribution of consumption goods, too, would define the relations of production via the reproduction of labor power indirectly. That is not all. The two facts that the means of production are transacted between the non-workers and that the workers must get back consumption goods originally produced by their own labor with their wages, constitute the essence of the capitalist relations of production. The capitalist relations of production contain within themselves the corresponding relations between ownership of the means of production and the distribution of products. Furthermore, it is wrong to consider distribution only as the distribution of the existing products. It also contains the production and distribution of the future products. As long as distribution is a part of reproduction, it should rather be grasped as the element inseparable from the relations of production.⁵⁾

Marx asserted from such understanding of relations of production that the contents of property are nothing but the totality of the relations of production⁶⁾. So, shouldn't we conclude that in Marxian economic theory, contrary to the 'ownership veil' view still reserved in the Mill-type dualism of production and distribution, 'property' should occupy the central place? Although Marx left his work unfinished especially seen as the theory of 'modus operandi' of the capitalist economy, we should examine his text from the viewpoint, 'property matters! It is inseparably incorporated into production!'

In this paper, the author wishes to consider Marx's concept of 'capital' by relating it to the interest of proprietors. As stated above, Marx started his study by replacing the antagonism of the rich and the poor with that of capital and labor. But here, I would like to take up the former of the two, that is, the 'capital' as the property that determines production. In other words, the problem is, what kind of meaning does

4) *Ökonomisch-philosophische Manuskripte* (1844), in: *Werke*, *Ergänzungsbd. I*, Berlin: Dietz, 1968, S. 510.

5) *Grundrisse der Kritik der politischen Ökonomie (Rohentwurf 1857-58)*, Dietz, 1953, S. 16f.; *The Capital*, Vol. III, Progress Publishers, Chap. 51.

6) *Brief an Annenkof* (1846), *Werke*, Bd. 27, 1970, S. 456.

the fact that 'capital' is 'private property' have for Marxian economic theory. In this paper, an attempt is made to obtain a key to find an answer to the above-mentioned question first by characterizing Marx's concept of 'capital' in contrast with that of Adam Smith. And then, after making a critical survey of the Marx's image of 'capitalist', I would like to propose a direction to answer to the above question.*7)

II Smith and Marx in their Concepts of 'Capital'

Adam Smith's *Wealth of Nations*, which grasped the axis of the modern economic society in the accumulation of capital, provided the modern economics with the basic framework of thought. In this work, the capitalist relations of production were clearly recognized and, at the same time, under the condition that the 'natural freedom' is guaranteed by the social systems of the state, a harmonical development of economy was depicted. Even though Smith noticed the division of the society into different classes and also the inequality in ownership, he contended that the free profit-making activities of individuals were by far the stronger than the government controls in utilizing the productive possibility of the society and brought the 'general opulence' into reality. Such an assertion made by Smith would indeed be most fitting as one that makes him the originator of the 'ownership veil' view.

Both Smith and Marx stand on a common base in that both grasped the modern economy as the system of production based on 'capital' and the society as the class society that evolves around the capitalist relations of production as the axis. Even so, the image of economic development drawn by Smith is contrary to that of Marx who emphasized crisis and growing misery. What is the cause of this divergence? In order to answer this question a full-scale examination of the two theories is requested. But it would be possible at least to search for the originating point of the divergence in their views of 'capital'. So, from the *Wealth of Nations*, particularly in the Book II, we can summarize his view of 'capital' in the following three points:

S1. Since, in the modern society, the production is conducted by highly developed division of labor, there is the need of the accumulation of the stocks of various goods which provide materials and implements of production as well as consumption goods for the workers throughout the period upto the completion of the production and the sale of the products. The functions of the 'capital' in the course of production is thus to assist and maintain the 'productive labor'.

S2. What is called the 'capital' is the portion of the stock accumulated by a private person that he uses with the purpose of acquiring income (profit); that is, the accumulated stocks minus the portion he reserves for personal consumption.

S3. In order to maintain his capital and to increase his income, the owner of capital

7) I examined Marx's concept of capital in a series of articles written in Japanese: "Marx and Wages Fund", *Okayama Economic Review*, 13-4 (1982), "Time and Capital in Marxian Theory (I)", *ibid.*, 14-2 (1982), and "Capitalist Form of Capital Turnover —Time and Capital in Marxian Theory (II)", *ibid.*, 16-2 (1984).

must avoid wasteful expenditure and keep up accumulating the capital. The capital, which may be defined as a kind of 'social fund' that employs productive labor, is protected most effectively by the private interests of such capital-owners.

In other words, what is characteristic in Smith's theory is that the 'capital' is first of all grasped as the material stocks necessary to carrying on the production. Then, it comes that, though privately owned by someone, 'capital' is regarded as a continuous and fixed 'social fund' that remains in the productive sphere of society and that only some marginal portion (profit) is flowing out from that sphere. This is because the capital-owner's private interest in profit-making is regarded as being in conformity with the continuous maintenance and accumulation of the 'capital'. It was for this reason that Smith considered it the task of the government to establish and maintain the legal order in civil society, thus to ensure the safety of invested capital and its future profit, and to eliminate the obstacles blocking the way to capital accumulation by saving.

In contrast to the Smithian way of grasping the capital as mentioned above, the Marxian way would be as follows:

M1. The 'capital' is a value which multiplies itself in the process of its movements. It is manifested in the general formula of $M-C-M'$ at first in circulation process, but the grounds for the existence of surplus value (profit) must be sought in the production process.

M2. The 'capital' controls the production process by purchasing the means of production and the labor force. Workers who have no means of production are unable to work outside the control of capitalist. The surplus value=profit is the result of the surplus labor exploited in the production process.

M3. The capitalist production is by its nature of commodity production system anarchistic and the relations of production in which surplus labor is exploited are antagonistic. As a result, the progress of capital accumulation not only intensifies competition among capitalists as well as pauperization of the working class, but also amplifies the instability of economic process till to the explosion of the crisis.

What becomes clear from such a contrast is that, whereas Smith grasps the productive capital primarily as the stock that supports the production process, Marx grasps the same productive capital as something dominated and incorporated in the movement of self-multiplying value.⁸⁾ The capital stock which had been fixed in productive sphere in Smithian view is drawn out as a value flow in the circulation process in Marxian view. The basic form of this movement of self-multiplying value is represented as $M-C-M'$ ($M+\Delta m$) and the form incorporating the production process is represented as $M-C(A, Pm) \cdots P \cdots C'-M'$. As can be seen from the above,

8) Marx, who attached so much importance to the mechanization of the production process, grasped the capital rather in the 'flow' aspect!. One may consider it as a contradiction but I would like to see it as revealing an essential problem that awaits to be solved by the theory of capitalist ownership.

the form of capital that leads this movement was, for Marx, the money capital. In other words, what characterizes Marx's way of grasping the capital as compared with that of Classical School is his recognition of the initiative of the capital in money form. As a result, the main content of Marx's capital theory is to be focused on how the circulation of money capital would control the productive capital and commodity capital which keep the concrete restraints for each kind of material and for each stage of the progress.

The capital as property that controls production can be considered to possess two functions; the function to organize the process of production and the function to harvest=appropriate the results of the process of production. In Marx's theory, the capitalist characteristics of these two functions are made clearer through the recognition of the capital in the form of money.

Speaking of the former function in Smithian theory, the capitalist system of production is argued, after the explanation of the production process (specialized tool using production) is given, as the special but most prevailing case where the productive workers do not possess the necessary stock but instead rely on the stock owned by others. At the Smithian stage, the degree of control by the capital in the process of production is still low and there still remains the possibility of the independent producer-type image sneaking in. In contrast, in Marx's case who regards the labor power itself as a commodity purchased by the capital (money), the organization of the process of production is the function of capital that purchases and arranges in appropriate combination both the means of production and the labor power. While the directive and supervisory roles after entering into the production process cannot be ignored, the essential part of the organizing function can be sought in the very act of purchasing the means of production and the labor power which already embody the specific system of technology, the knowledge and the skill.

As for the latter function, in Smith's view, what is privately appropriated is only the portion of profit=income. The other portion (capital) remains, without denying the existence of private owner, to be a 'social fund' for the production of the society. Of course, in order for the private ownership and the 'social fund' to be compatible, the owner=capitalist must be wise enough to be able to foresee their future profits. Such a division of capital and income easily links to the representation that regards 'capital' as a tree that keeps producing fruits=income every year. In contrast to this, in the case of Marx who grasped the capital in the movement of value flow ever appearing in the circulation sphere, no such definite discrimination between capital and income is to be seen. The 'capital' in substance for a capitalist as an owner is the amount of money invested. But the stoppage in the process of production and circulation which affects the amount of money coming back affects not only the income flow but also the capital itself as the principal. Reversely speaking, the problem for Marx was not just the continuous acquisition of the income flow as in cases of landlords or pensioners but also the multiplication of the value of capital as a whole, that

is, $M \cdots M'$. And for him, the capital in money form was on the whole able to be owned or disposed of privately. It was the form that was capable of changing the production spheres or even of being withdrawn to the unproductive spheres.

Marx argues that the movement of the 'capital' as private property, instead of bringing about the security of the employment of productive workers as envisaged by Smith, brings forth the unstable and miserable conditions of workers. But in order to reconstruct this argument, we still need some more efforts. However, as we have just seen, Marx's viewpoint a grasp of capital in a more comprehensive and dynamic way as the ownership that controls production was, as from the very starting point, evidently something that considered Smithian optimism as being out of the question.

However, the fact that Marx drew out what Smith called the 'stock' into the world of value-flow and recognized the 'capital' in the form of money capital inevitably leads at the same time to a new and more fundamental question. That is, 'how can it be possible for the capital in motion to continue being, at the same time, someone's private property?' The question is two-fold: First, *actually*, the capital value that keeps returning in the form of money cannot exist as 'money capital' unless it actually plunges itself into movement. Yet, whereas the capital in money form is the 'capital' when seen in the context of movement=circulation, it is 'money property' when seen statically and also is a form of capital that terminates movement=circulation. Therefore it still remains the possibility of the property interest stopping its movement to head for the preservation of the property value. Secondly, *ideally*, even when the capital in the process of movement is taking other forms than money, the capital ownership must be evaluated in terms of money, that is, ideally as money capital. You may take up the formula of circulation, $M \cdots (P) \cdots M'$ and ask such questions as, 'whether the value of capital in the production process (P) is M or M', or some other value?' As long as the production activity is conducted with the aim of acquiring profit continuously, the estimated value of the capital should be based on the anticipated future profit flows (Δm) emanating from it.⁹⁾ However, since it is based on the expectations on future profits and not on past or present profits, it does not always agree with the money flow (M') that actually comes back.

In Marx's way of grasping the capital, the 'ownership' of capital thus comes to bring both actually and ideally some contradictions into the world of economic theory. The capital, in its actual monetary form, has the possibility of being pulled out of circulation and remaining as the money property. But, on the other hand, in the ideal evaluation of capital as ownership, it has the possibility of being separated from the actual invested value as well as from the reflux of money capital. Such discrepancies are the canal through which the interest of the owners permeates the movement of capital. Through the emergence of the money and capital market they become a decisive factor in the capitalist economy which affects the actual productive activities

9) Cf. "The value of money or of commodities employed as capital does not depend on their value as money or as commodities, but on the quantity of surplus-value they produce for their owner." (*The Capital*, Vol. III, p. 355)

and the accumulation of capital.

In the classical school of economics represented by Adam Smith, an attempt is made to grasp the capital exclusively from the productive capital, with the result that the existence of such contradictions as mentioned above have been ignored. Since only what is productively invested is the 'capital', whether a productive investment of capital is conducted or not is the only problem. And this is explained in terms of sociological factors outside of economic theory such as the temperament of the people or the general condition of the society.

III Capitalist as Personified Capital

In the preface of the first edition of *The Capital*, Marx wrote that every character was argued only in terms of 'personification of economic category' or as 'enbodiments of particular class-relations and class-interests'. Therefore, if the ownership in capital were to be considered —as seen in the preceding Section— as involving such complicated problems as that would constitute the main content of an economic theory, then the image of a capitalist also should by no means be a simple one either. However, as we shall see in this Section, the text of *The Capital* which argues on the capitalist as the 'personified capital' shows a considerable deviation from such an anticipation. How, then, should we interpret this?

A) 'Capitalist' in Accumulation Process

It is in Section 3 of Chapter 22, Conversion of surplus-value into capital' of the Part of Accumulation that *The Capital* affords some pages to the motives of capitalists. In this Section 3, as can be seen from its title, Separation of surplus value into capital and revenue', starts out from the argument that, assuming that a certain amount of surplus value or surplus products are given, the decision as to how much of it should be turned to accumulation and how much to individual consumption is left to the will of the capitalist as the owner. Correspondingly, within his mind, there exist two desires, namely, the desire to accumulate=expand his ownership and the desire to consume=enjoy his wealth, mutually opposing each other.

However, what Marx intended by such a description of the internal conflict of 'two souls' of the capitalist as owner was not the explanation of the actions of a capitalist. According to Marx, what makes a capitalist a capitalist is the desire to accumulate and not the desire to consume. "So far as his actions are mere functions of capital —endowed as capital is, in his person, with consciousness and a will— his own private consumption is a robbery perpetrated on accumulation, just as in book-keeping by double entry the private expenditure of the capitalist is placed on the debtor side of his account against his capital."¹⁰⁾

This one-sided support given to the desire for accumulation of a capitalist is combined with his historical prospect. "Except as personified capital, the capitalist has

10) *Ibid.*, Vol. I, p. 555.

no historical value, and no right to that historical existence.... And so far only is the necessity for his own transitory existence implied in the transitory necessity for the capitalist mode of production. But, so far as he is personified capital, it is not values in use and the enjoyment of them, but exchange-value and its augmentation, that spurs him into action. Fanatically bent on making value expand itself, he ruthlessly forces the human race to produce for production's sake; he thus forces the development of the productive powers of society, and creates those material conditions, which alone can form the real basis of a higher form of society, a society in which the full and free development of every individual forms the ruling principle."¹¹⁾

Moreover, this pursuit for accumulation is not merely the desire of the individual, but, as Marx says, 'for the capitalist, the effect of the social mechanism, of which he is but one of the wheels. Moreover, the development of a capitalist production makes it constantly necessary to keep increasing the amount of a capital laid out in a given industrial undertaking, and competition makes the immanent laws of capitalist production to be felt by each individual capitalist as external coercive laws!'"¹²⁾ "Accumulate, accumulate! That is Moses and the prophets!"¹³⁾

While the desire to accumulate bearing historical mission has been given a heroic description as mentioned above, the other desire, the desire for consumption, has been portrayed as something timid and mean. It is nothing but "a fellow-feeling for his own Adam" that emerges after fading out the mania of accumulation. "While the capitalist of the classical type brands individual consumption as a sin against his function, and as 'abstinence' from accumulating, the modernized capitalist is capable of looking upon accumulation as 'abstinence' from pleasure."^{14),15)} In other words, the capitalists who have come to have a cultivated taste, while socially forced to accumulate, make unmanly arguments that they are thus giving up the possibilities of consumption. This, says Marx, is the 'abstinence theory' of N. Senior. The consumption behaviors of the capitalists are not so innocent as those of the princes or aristocrats but are something more or less temporizing, conscious of the eyes of the people around them and with some commercial calculations hidden behind. According to Marx, the capitalists' desire for consumption is not an independent factor matching with the necessity of accumulation but is nothing more than a phenomenon that changes with the progress of the stages of the accumulation of capital.

From the above, one comes to realize that the argument over the inner conflict of the 'two souls' of capitalist is nothing but a caricature of the 'abstinence theory'

11) 12) *Ibid.*, Vol. I, p. 555.

13) *Ibid.*, p. 558.

14) *Ibid.*, p. 556.

15) This ironic historical insight reminds us of that of Schumpeter. Moreover, Marx and Schumpeter have the following two points in common; that they both treated their hero ('capitalist' for Marx, 'entrepreneur' to Schumpeter) as 'the bearer of the mechanism of change' and that both considered the leading motive as the infinite desire to conquer=expand one's dominion. (Joseph A. Schumpeter, *The Theory of Economic Development*, New York: Oxford University Pr., 1980, pp. 61, 90-94)

which legitimate capitalist's demand to profits via his accumulating function. However, what we really want to know now is 'what kind of theoretical scheme was Marx envisaging on the basis of such criticism?' But when we try to put such a question, the informations that the text of *The Capital* supplies us turn out to be poor.

For example, did Marx deny such effect which is implied in the 'abstinence theory' that the rise and fall of the profit rates influence the capitalist's decision to accumulate? Finding an definite answer to it is difficult. Indeed, in the following Chapter (Chap. 23, Section 3) he left a remark about the decrease of accumulation as a result of "blunting of the stimulus of gain,"¹⁶⁾ but it is not clear whether this 'stimulus' should be taken subjectivistically in relation to the capitalists' motivation or not.

Needless to say, it may be wrong to expect an argument relating to the mechanism of economic changes in *The Capital* at such an early stage as the Volume I. However, what I want to ask as the fundamental question is, 'whether Marx is approving the frame of this Section —the frame in which the division of the surplus value is dealt on the basis of the fixed amount of it actually produced?' This theoretical frame contains the problem of assuming the amount of surplus value as something given regardless of what decision the capitalist makes. Further it is also the problematic point of this frame that it restricts the domain of the capitalists' decision only to the particular portion of the newly produced surplus value. Before the division of the 'surplus value', there must be the decision of the capitalist concerning the whole value he can control —the money capital, in its value estimation. Therefore we must say that such a decision concerning the division of 'surplus value' is conditioned by the preceding decision concerning the disposition of the whole capital stock.¹⁷⁾

B) 'Capitalist' in the 'Transformation of Money into Capital'

Such a question as raised above leads us to the other chapter in *The Capital*, 'The transformation of money into capital'. In the Part of Accumulation which follows the Parts of the Production of Surplus Value there seems to exist the premise that the system of capitalist production should be maintained. In that sense, as long as the capital is regarded as productive capital, it contains the necessity for the continuity. However, seen from the viewpoint of the circulation of money capital, the capital must pass through the critical stage of the 'transformation of money into capital' without a stop in order for the circulation to be succeeded by new one. The decision-making of the capitalist=owner of money at this stage can be regarded as a more basic one than that of accumulation also from that it concerns the disposal of the whole capital value (stock) not confined to the present value flow.

However, here, too, Marx's representation of the capitalist, despite the change in the problem domain, is the same as that which he presented in the Part of Accumu-

16) *The Capital*, Vol. I, p. 580.

17) This is significant also for the task, how the Marxian economics should assimilate the Keynesian revolution. Cf. K. Yagi, "Marxian Economics after Keynesian Revolution" (manuscript in Japanese), July 1985.

lation. Here, too, Marx contrasts the possibility of multiplication of value as capital mainly against the desire for the 'use values' and gives also one-sidedly supports to the former, as follows: "As the conscious representative of this movement (the endless movement of the capital to realize the multiplication of value), the possessor of money becomes a capitalist.... Use-values must therefore never be looked upon as the real aim of the capitalist ; neither must the profit on any single transaction. The restless never-ending process of profit-making alone is what he aims at."¹⁸⁾

Indeed, in order for the capital to keep on being the capital, the "ceaseless movement of profit-making" would be necessary. When this movement comes to a halt, it no longer can be called the capital. But this would merely be an explanation of the word 'capital'. Even if the object of theoretical analysis were to be set on capitalist production and even if a recognition were to be given to the fact that such a capitalist production is neither one aimed at the turning out of use-value nor an action in pursuit of temporary or incidental profits, it would not lead to the denial of partial or tentative stoppage of the movement of the capital value as money. Unlike in the process of production in which the progress of the process is restricted by the technical characteristics, no such restrictions exist in the process of circulation. Rather, a certain existence of the capitals in money form and the increase or decrease of their volume are in fact a part of the dynamics of the capitalist economy. If this is so, then, Marx's definition of a 'capitalist' would after all have to be called 'one-sided'. This is because the problem is 'whether the capital value is maintained in the form of money or is again invested into the process of circulation.'

IV Capitalist' and 'Hoarder'

When we re-read the Chapter on the 'Transformation of money into capital' from the viewpoint of decision-making of the owner of money or of capital, what attracts our interest is the mentions on 'hoarders'. This character might perhaps be an important supporting actor that supplements the monotonous performance of the leading actor, the 'capitalist', though his appearance in the text is only passing. "While the miser [hoarder] is merely a capitalist gone mad, the capitalist is a rational miser. The never-ending augmentation of exchange-value, which the miser strives after, by seeking to save his money from circulations, is attained by the more acute capitalist, by constantly throwing it afresh into circulation."¹⁹⁾ As long as both the 'capitalist' and the 'hoarder' are aiming at the common objective of 'absolute desire to achieve wealth', the 'hoarder' seems to be nothing but a fool who, while possessing the money, doesn't attempt to let the money work.

However, the 'hoarder', on his part, does have some level of judgement. The 'capitalist' constantly throws the money into the flow of circulation and tries to get them back in money form. But, if the result were nothing more than the same, so

18) *The Capital*, Vol. I, p. 151.

19) *Ibid.*, p. 151.

$M=M'$, "the miser's plan would be *far simpler and surer*; he sticks to his 100 pounds instead of exposing it to the *dangers of circulation*."²⁰⁾ The action of a 'capitalist' is rational in so far as that action realizes the profit ($M'>M$), but it is accompanied by the danger of the loss of value in the process of circulation and, moreover, it requires some complicated operations. In the evaluation of the 'danger of circulation' and the recognition of the cost of the necessary operations, the 'hoarder' would be able to adequately refute the argument of the 'capitalist'. But, on the other hand, if the 'hoarder' is capable of merely hoarding money, but cannot make the money multiply itself, then, he would be unable to escape being admonished as the servant of the Mammon.

Thus, when we throw light upon the 'hoarder' in the problem domain of 'transformation of money into capital', a question looms up. That is whether the attempt to increase the amount one's property in the same money form by lending it to the others ($M-M'$) should be considered as the act of a 'capitalist' or that of a 'hoarder'.

Needless to say, to such a form of movement of money, Marx applied the terms 'loaned capital' or 'interest-bearing capital'. In that it realizes the multiplication of value, it indeed is, capital. As for the giving and taking of money between two human beings, we may be permitted to call it 'financial circulation' as Keynes did. But it is different from what Marx called 'circulation' (commodity circulation) in the Chapter on 'the transformation of money into capital'. $M-M'$ is indeed 'en style Lapidaire' taken both ends of the 'general formula for capital', $M-C-M'$, but as far as the operation on the lender's side is concerned, 'C' is not sandwiched in between. Therefore, if the difference between a 'capitalist' and a 'hoarder' were to be sought in the following two points, namely, that the former 1) takes on the risk of fluctuation of value in circulation (including production) and 2) takes charge of the organization of the process of circulation (and that of production), then, we cannot but declare that the lender of the money being lent cannot be directly called a 'capitalist'.²¹⁾

On the other hand, Marx tries to consider the action of $M-M'$ on the extension of a 'hoarder'. However, Marx grasps it in an antiquated form of 'usurer'. He writes thus: "We have seen that hoarding necessarily appears along with money. But the professional hoarder does not become important until he is transformed into a usurer."²²⁾ And "it is in usury that hoarding first becomes reality and that the hoarder fulfils his dream. What is sought from the owner of a hoard is not a capital, but money as such; but by means of interest he transforms this hoard of money into capital,"²³⁾

20) *Ibid.*, p. 146.

21) Since the money lending can be considered as a kind of sale of the use-value of money by the hour, the form of $M-M'$ itself is not enough to be taken as the movement of 'capital'. However, I do not deny that also in such a domain, a capitalist 'producer' (of such services of money as means of circulation or those of payment) such as 'banking capital' can emerge. But, in Marxian economics, this may belong to a rather heretical position. Cf. Tadashi Nakano, *Sangyo-junkan ron* (Theory of industrial fluctuation), Nihon-hoso-shuppan-kyokai, 1965.

22) *The Capital*, Vol. III, p. 593.

23) *Ibid.*, p. 598.

The reason Marx puts 'usury' on the extension of 'hoarding' is, it seems, that the money in the case of usury functions, even when it is in the hands of borrower, as money, that is, the means of circulation or those of payment, rather than as 'capital'. However, how the money is actually used by the borrower is no one's business other than the borrower's and should be outside the lender's concern. If the lender were a 'hoarder' of money, then, what he would be interested in should be to keep his wealth in the original money form. To 'usury' which does not operate on the basis of the capitalist production, an extremely high risk of the money lent becoming irrecoverable is accompanied; there is no guarantee for the loan being paid back and, moreover, a great deal of energy needs to be spent in collecting money lent. So, even if the usury may be something that predicts the possibility of 'capitalist activity' (such as banking capital) in the special field called 'money transaction', it cannot be called the realization of the 'dream of a hoarder' which is to increase the value of one's property while maintaining the money assets at ease. The person who, while denying the above-mentioned two indexes, is bringing into reality the self-multiplication of the money property is, rather, the modern-type property-owner (the 'rentier') who is depositing money in the banks or buying fixed interest-bearing securities.

Therefore, in order for us to be able to regard $M-M'$ as the act of a 'hoarder', a sort of dualization should be brought about in the money property itself. For the owner of money who is the money lender, what is desirable is that credit itself has a confirmed value or, even better, that the credit itself has a certain degree of liquidity. In other words, the desirable condition is that, while the money itself may have been put at the disposal of a borrower, the asset (financial asset) with potential money character is also retained in the hands of the lender himself. Shouldn't we, therefore, grasp what Marx calls the modern-type 'loaned capital' or 'interest-bearing capital' as the 'hoard' which has become a movable form as a result of the dualization of money property?

What we have seen in the foregoing would probably lead us to conclude that the 'transformation of money into capital' would fall into the problem domain where the actions of 'capitalists' and the actions of 'hoarders' criss-cross. This is not only the question of the individual selection of the 'capital' owner but it also means that, in this initial stage of the capital movement which itself is integrated in a circulation of commodities as a whole, the productive investment of capital and the lending-borrowing relations of money (the money market) criss-cross. The general conditions of both sides are reflected in the supply and demand of money and the 'interest rate', thus, must be the index which reflects such general conditions of a society.

V Development of Dualization of Capital—a Conclusion

In the preceding Section, we focused on the 'hoarders' in an attempt at shedding some side-light on the 'transformation of money into capital'. Needless to say, it is the 'capital' side that gives economic contents to such transaction of the 'hoarded

money'. As to the recognition that 'money lending' has a dual structure of property right and obligation, we do not need to study economic theory. This, in itself, is only a jurisprudential form. The 'usury' which we have just seen is such a form unpermeated by the general conditions of the capitalist production simply reflecting the individual relations that exists between the lender and the borrower. In contrast to this, in the case of the modern 'loaned capital', the interest rate is determined in the money market based on the standard rate of profit of the capitals. This duality is also a form that expresses the social character of the capitalist ownership.

In this connection, we should say, that it is the development of the dualization of capital —both ideal and actual— which brings about the duality of the money property. The 'ideal dualization' means that, even though the capital takes a varying but concrete form changing in the process of circulation and production, its value should be always estimated ideally in money term. (See the corporate accounting!) Meanwhile, the 'actual dualization' means that the 'capital', which should be originally one and the same entity in every stage of its circuit ($M-C \cdots P \cdots M'-C'$), separates itself actually into some sorts of capital each operating with their special functions in their appropriate stages. The former dualization develops further in the line of the capital evaluation based on the anticipation of future profits (especially in the stock market), while the latter develops by means of the independence achieved by the 'capital' in the circulation process (commercial capital and money-dealing capital). Thus, based on the development of the dualization which is immanent in the dynamism of capital, the dual structure of money lending comes to have its economic significance and the sphere of mutual interferences (financial relations) emerges, although the 'unproductive' element of the 'hoarding' is still preserved.

In this paper, the author, after all, could not attempt at a detailed discussion on the development of the dualization of the ownership in capital as outlined above. However, if we could combine the viewpoint stated in this paper with Marx's unfinished efforts remained in the Part 5 of the Vol. III of his *The Capital*, the author believes that it will not altogether impossible for us to reconstruct the Marxian economic theory as that of 'Property matters!'